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A STAR ALLIANCE MEMBER

By Bruce Upbin



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## Recycling assets<sup>3+</sup>

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AS THE SILICON REVOLUTION SPREADS, it creatively destroys (thank-you, Joseph Schumpeter) the value of older equipment, artifacts of the now-fading mechanical age. Somebody has to figure out what to do with the old plant and equipment. Scrap it, fix it up, find new uses. One of those people is Brook Park, Ohio-based Raymond P. Park. He has built a billion-dollar fortune recycling yesterday's industrial wonders, among them a copper mine in Green Valley, Ariz., road-building equipment in Costa Rica, steel mills in Pittsburgh and unused nuclear reactor parts from the Tennessee Valley Authority.

Ray Park is a classic entrepreneur, seeing opportunity where others see only loss. "We enjoy creating something out of failure," says 71-year-old Park, a college dropout and onetime professional trumpet player. "That gives us pleasure, and it's fun."

Some readers may remember Park from a 1973 profile we did on him (Forbes, June 1, 1973). Park was 47 at the time and had been buying and liquidating (and sometimes reviving) old assets for 20 years. We valued his privately held Park Corp. at \$12 million; in today's money that would be about \$39 million.

He has come a long way since. In 1997 this "variety of junk," as Park wryly calls Park Corp., will gross some \$2.6 billion and net maybe \$150 million. Park and his four children are Park Corp.'s only shareholders. Two sons, Daniel, 48, and Kelly, 36, work full time in Pittsburgh. Patrick, 44, in Cleveland. Daughter Piper, 38, living in Portland, Ore., limits her role to board meetings.

Ray Park works out of modest offices tucked into the cavernous 2.5-million-square-foot International Exposition and Trade Center at Cleveland's Hopkins Airport. The I-X, as it's called, is the largest privately owned convention center in the U.S. Its owner is Park Corp.

Forbes visited Park at I-X Center in July. Laid-back, dressed in an open-collar shirt and beige slacks and looking like a retired bookkeeper ("You'd think he had 20 cents in his pockets," says old friend Hershel McGriff, 69, who runs Park Corp.'s mining operations), Park was putting the final touches on his biggest deal to date: the sale of his 86% stake in American Axle & Manufacturing in Detroit to New York investment bankers Blackstone Group. American Axle (sales: \$2.2 billion) is the largest privately held

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supplier of auto parts in North America. It makes all of GM's axles for the hot-selling pickups and Chevy Tahoe, Yukon and Suburban sport utility vehicles.

Park bought his stake in 1994 when GM decided to dump some components plants in an attempt to avoid major capital improvements. Bigger and better-known companies—including Dana—wanted to buy the axle plants. Park got them by backing two Detroit veterans, Richard Dauch and James McLernon, who went on to overhaul the plants and increase output by 50%.

Truck demand keeps on growing, but Park is cashing out. "My investment wasn't intended to be forever," he says, suggesting he wants to free up cash to get back into the "fun" of recycling industrial junk.

Besides, the price is right. On a cash investment of around \$100 million in 1994, Park will pocket at least \$600 million.

**"Growing up, we swept floors and poured concrete. If you didn't get your hands dirty, you couldn't know what was going on."**

Park grew up in White Salmon, Wash., a small town 50 miles up the Columbia River from Portland, Ore. His father, James, taught at a teachers' college and graded wood for lumber companies on summers and weekends. He showed the teenage Ray how to tell good lumber from bad.

After high school Ray Park dabbled in foundry and machine-tooling classes at Northwestern School of Business in Portland, but quit after his freshman year to play trumpet in local swing bands. Following a brief stateside tour in the Army Air Corps, Park returned to the Pacific Northwest in 1945 and, with only \$1,000 to his name, got into the lumber business. Figuring that in any large quantity of junk there is usually something valuable that has gone undetected, Park bought as much worst-grade lumber as he could afford, then culled out the worst of the worst and peddled the rest as high-grade.

By 1951 Park had culled and traded enough loads of lumber to start his own lumber remanufacturing plant in Eureka, Calif. After learning the intricacies and economics of mills, in 1958 he put \$50,000 down for a decrepit Georgia-Pacific mill in Eureka that no one else wanted. Park renovated the place and leased it out, creating a positive carry on his investment.

By 1965 Park was out of the lumber business and into looking for tired old companies he could rejuvenate or liquidate. Most were in the Rust Belt, so in 1969 Park moved his family to Charleston, W. Va. For a while the Parks lived in a five-bedroom apartment above the craneways in an old battleship gun plant he'd bought. Joined by his oldest son, Daniel, and later by sons Patrick and Kelly, Park flew his twin-engine Beechcraft from one midwestern city to another, appraising unwanted steel mills, stamping plants and machine shops thrown on the block by industrial names like FMC, Midvale-Heppenstall Steel and Gulf & Western. Jogging clickers in hand, the Parks would ring up \$10,000 increments as they patrolled the sites. Afterward, they compared clickers to arrive at a cash offer.

Recalls Patrick Park, then in his twenties: "Growing up, we swept out plants, drove lift trucks, put up siding and poured concrete floors. If you didn't get your hands dirty, you couldn't know what was going on."

But once title to the assets passes into Park's hands, cleanliness gets high priority. One of the first things Ray does upon arriving at the I-X Center is to inspect the washrooms and kitchens. "He's the first to pick up a piece of paper or cigarette butt off the floor," says son Kelly.

Park doesn't make a killing on every deal but he does so many that he is almost bound to make one sooner or later. In 1986, when copper had dropped

to 60 cents a pound, **Anaconda Minerals** wanted to unload its copper mines in **Mont. and Green Valley, Ariz.** **Park** bought the 12,000-acre Arizona mine for \$12 million. Billionaire **Dennis Washington** (see) got the other for \$14 million. Six months later copper hit \$1.40 per pound and **Park** quickly signed **Cyprus Minerals** to a 15-year lease. **Park** got an undisclosed royalty, sold off some used machinery and made back his original investment in a mere six months.

Some deals work out quickly, others over fairly long stretches. Right now considerable **Park Corp.** energy is flowing into investments in the Pittsburgh area begun 14 years ago.

In 1983 **Park** paid \$9 million for the bankrupt **Mesta Machine Co.** in **Homestead, Pa.**, just up the **Monongahela River** from Pittsburgh. In its heyday **Mesta** had built the enormous presses and rolls for steel mills worldwide. When **Park** strolled the quiet shop floor to see what he could sell, a **Mesta** bookkeeper asked him what he wanted to do with several purchase orders. Let's turn on the equipment, said **Park**.

**Park** liked metal-bending. Since 1983 he has bought seven more divisions from steelmakers around the Midwest. Renamed **West Homestead Engineering and Machine Co.-Whemco** for short-the company now grosses \$175 million making steel mill rolls and equipment.

Along the **Monongahela river** near **Whemco's** headquarters are 300 acres of empty brown land: the site of the giant **Homestead steel works**, where **Andrew Carnegie** and **Henry Frick** consolidated their power in the steel industry in the 1880s. **Park** bought the **Homestead works** from **U.S. Steel** in 1988. It took him eight years to demolish the complex and cart away 900,000 tons of scrap. All that's left are a 12,000-ton forging press, a row of 13 smokestacks and the river landing where strike-busting **Pinkerton** agents did bloody battle with mill workers in 1872.

Under **Kelly Park's** supervision, the **Homestead** site will be one of the biggest real estate developments in Pittsburgh. The **Parks** plan to fill **Carnegie's** mill site with big-box retailers, offices, apartments, a movie megaplex. Pittsburgh is a hilly, notoriously hard place to build. Within city limits there are no shopping malls or multiplex cinemas. All of that is a 25-minute drive into the suburbs. **Homestead**, however, is eight minutes from downtown. Once the first stage opens, in the spring of 1998, it is expected to create 5,000 new jobs, \$22 million in annual taxes and a big morale boost to the long-depressed **Homestead** area.

**Kelly Park**, who has already secured \$80 million of the financing for the \$270 million project, is already thinking about the next generation of **Park Corp.** leadership. Standing 90 feet above the **Monongahela River** on a gantry crane that used to load slag onto barges, **Kelly Park** points out his 15-year-old son, **James**, on the ground. The teenager is gamely struggling to clean the dirt off the crane's steel tracks with a pressure washer. Another industrial asset recycler in the making.

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